Dairy Outlook

Charlie Hyland
Head of EMEA Dairy and Food Group

StoneX Financial Europe S.A.,
Irish Branch
The trading of derivatives such as futures, options, and over-the-counter (OTC) products or “swaps” may not be suitable for all investors. Derivatives trading involves substantial risk of loss, and you should fully understand those risks prior to trading. Past financial results are not necessarily indicative of future performance. All references to futures and options on futures trading are made solely on behalf of the FCM Division of StoneX Financial Inc., a member of the National Futures Association (“NFA”) and registered with the U.S. Commodity Futures Trading Commission (“CFTC”) as a futures commission merchant. All references to and discussion of OTC products or swaps are made solely on behalf of StoneX Markets, LLC (“SXM”), a member of the NFA and provisionally registered with the CFTC as a swap dealer. SXM’s products are designed only for individuals or firms who qualify under CFTC rules as an ‘Eligible Contract Participant’ (“ECP”) and who have been accepted as customers of SXM.

This material should be construed as the solicitation of trading strategies and/or services provided by the FCM Division of StoneX Financial Inc., or SXM, as noted in this presentation.

Neither the FCM Division of StoneX Financial Inc. nor SXM is responsible for any redistribution of this material by third parties or any trading decisions taken by persons not intended to view this material. Information contained herein was obtained from sources believed to be reliable, but is not guaranteed. These materials represent the opinions and viewpoints of the author, and do not necessarily reflect the opinions or viewpoints of the FCM Division of StoneX Financial Inc. or SXM.

All forecasting statements made within this material represent the opinions of the author unless otherwise noted. Factual information believed to reliable, was used to formulate these statements of opinion; but we cannot guarantee the accuracy and completeness of the information being relied upon. Accordingly, these statements do not necessarily reflect the viewpoints employed by the FCM Division of StoneX Financial Inc. or SXM. All forecasts of market conditions are inherently subjective and speculative, and actual results and subsequent forecasts may vary significantly from these forecasts. No assurance or guarantee is made that these forecasts will be achieved. Any examples given are provided for illustrative purposes only, and no representation is being made that any person will or is likely to achieve profits or losses similar to those examples.

Reproduction or use in any format without authorization is forbidden. © Copyright 2022. All rights reserved.
Prices have been trending up on weak supply

Global Manufacturing Milk Prices
(4.0% fat/3.4% protein)

Source: USDA, StoneX Calculations
EU-28 Milk Supply
Record high milk prices are improving gross margins

**EU-27 Milk Production Gross Margin**
(Milk Price Minus Feed Cost per 100kg of Milk)

- Milk production falls when margins go below 17.5
- Milk production expands when margins are above 20.0

Source: EU Commission, USDA, Eurostat, FRED, CBOT, StoneX Calculations and Forecasts
Production has been weak, but we should see some mild growth in the second half.

Source: Eurostat, StoneX Calculations and Forecasts
United States Milk Supply
Feed costs are elevated, could peak at a record high

Source: USDA, CBOT, StoneX Calculations and Forecasts
Gross margin looks very good, estimated net margin is only forecast near average level

US Milk Production Gross and Net Margins
(Gross Margin = Milk minus Feed, Net Margin = All Revenue - All Cost)

Source: USDA, CBOT, StoneX Calculations and Forecasts
Better margins should drive production growth during the second half of the year.

US Milk Production ('000 MT)
(Adjusted to 4.0% fat/3.4% protein, 30 Day Months)

Source: USDA, StoneX Calculations and Forecasts
New Zealand Milk Supply
Milk price and margins may be record high this season with next season looking even better

New Zealand Cost of Production and Fonterra Farm Gate Milk Price (NZD/Kg MS)

Source: DairyNZ, Fonterra, FRED, StoneX Calculations and Forecasts
The weather has been worse than average for most of the season (late Feb/early Mar are the exception)

New Zealand Pasture Growth Index

30 Day Rolling Average

Source: Reuters, StoneX Calculations
Production is likely down 4% this season, but could bounce back with normal weather next season.

NZ Milk Solids Production (Mil. Kg.)

Year Over Year Change

Milk Solids Production (Mil. Kg.)

Source: DCANZ, LIC, StoneX Calculations and Forecasts
Argentina Milk Supply
Margin improved dramatically in 2021, but high costs are holding the outlook back

Source: MAGyP, StoneX Calculations and Forecasts
Production was strong in 2021, but growth could slow a bit.

Source: MAGyP, StoneX Calculations and Forecasts
Global Milk Supply
Production could be back above year-ago in June

Milk Production, Major Exporters ('000 MT)
(Adjusted to 4.0% fat/3.4% protein, 30 Day Months)

Source: Eurostat, USDA, DCANZ, DairyAustralia, MAGyP, StoneX Calculations and Forecasts
Global Demand
Chinese farm gate and retail milk prices are cooling
Chinese imports are down 2% YTD

Source: GTT, IMF, StoneX Calculations and Forecasts
Demand elsewhere is price sensitive

Global Milk Equivalent Imports (minus China) and Oceania Manufacturing Milk Price

Source: GTT, USDA, StoneX Calculations and Estimates
Prices are expected to peak when milk production turns around.

Global Manufacturing Milk Prices
(4.0% fat/3.4% protein)

Source: USDA, StoneX Calculations and Forecasts
THANK YOU